



EMERALD
OIL AND GAS NL

**Interim Financial Report
for the half year ended 31 December 2013**

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This half year financial report covers the Consolidated Entity consisting of Emerald Oil & Gas NL and its subsidiaries. The financial report is presented in Australian dollars.

Emerald Oil & Gas NL is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Emerald Oil & Gas NL
Ground Floor, 20 Kings Park Road
West Perth WA 6005

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report on pages 2 to 4.

Corporate Information

Directors:

Jeremy Shervington
Chairman

Tim Kestell
Non-Executive Director

Ross Williams
Non-Executive Director

Peter Pynes
Non-Executive Director

Company Secretary:

Dennis Wilkins

Registered & Principal Office:

Ground Floor, 20 Kings Park Road
WEST PERTH WA 6005
Telephone: + 618 9389 2111
Facsimile: + 618 9389 2199

Postal Address:

P.O. Box 902
WEST PERTH WA 6872

Auditors:

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Solicitors - Perth:

Jeremy Shervington and Associates
52 Ord Street
WEST PERTH WA 6005

Home Securities Exchange:

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Code – EMR

Share Registry:

Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953
Telephone +618 9315 2333

Directors' Report

Your Directors have pleasure in submitting their report on Emerald Oil & Gas NL and its subsidiaries (hereafter 'the Group' or 'the Consolidated Entity') for the half-year ended 31 December 2013.

DIRECTORS

The names and details of Directors in office at any time during the period are:

Jeremy Shervington	Non-Executive Chairman
Ross Williams	Non-Executive Director (appointed 4 October 2013)
Tim Kestell	Non-Executive Director (appointed 11 October 2013)
Peter Pynes	Non-Executive Director (appointed 11 October 2013)
Mike Krzus	Non-Executive Director (resigned 11 October 2013)
McAndrew Rudisill	Non-Executive Director (resigned 3 October 2013)
Davide Bosio	Non-Executive Director (resigned 3 October 2013)
Dino Di Costa	Non-Executive Director (resigned 3 October 2013)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Group were the exploration and development of oil and gas properties in the United States of America (USA) and Australia. There were no changes to the principal activities during the period.

RESULTS

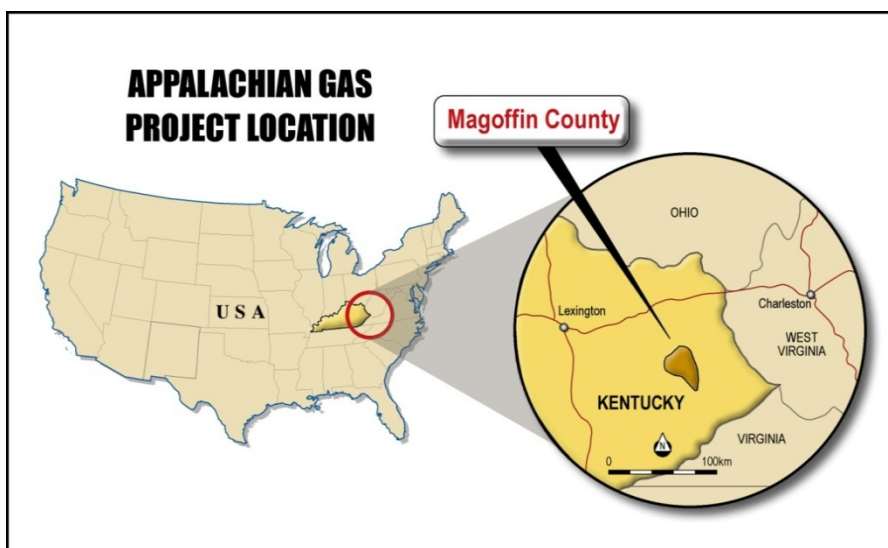
The net profit of the Group for the half-year ended 31 December 2013 after income tax amounted to \$1,278,083 (2012: \$11,419,320 loss).

OPERATING AND FINANCIAL REVIEW

Appalachian Gas - Magoffin County, Kentucky

(Emerald 75% Equity Interest in Kentucky Energy Partners LLC)

LOCATION



Directors' Report

Emerald's Appalachian gas operations are operated through Kentucky Energy Partners ("KEP"), a company 75% owned by Emerald. KEP currently holds 1,200 lease acres with 12 existing wells potentially capable of gas production, an 8 mile long gas gathering pipeline.

The operator has informed Emerald that KEP's current sour gas production is approximately 450 Mcfd. The operator is continuing to assess KEP's sour gas production with the objective to increase up to 800 Mcfd with the connection of additional existing gas wells.

Corporate

Cash Position and Listed Securities

At 31 December 2013 the Group had \$108,623 cash on hand and \$14,349,919 in value of listed securities.

Completion of On-Market Proportional Bid

The On-Market Proportional Bid completed during the period and resulted in Confederate Capital Pty Ltd (and associates) increasing its relevant interest in the capital of EMR to 33.37%.

Issued Capital

Issued capital as at 31 December 2013 is 943,651,304 fully paid ordinary shares and 167,600,000 unlisted options. Market capitalisation as at 31 December 2013 was approximately \$8.49m (@ \$0.09).

EVENTS SUBSEQUENT TO THE REPORTING DATE

As at the date of this report, there have been no events occurring subsequent to the reporting date which would have a material impact on the Group or require disclosure in this Interim Financial Report, other than the following:

Sale of Listed Investment in Emerald Oil Inc.

During February 2014 the Group sold its entire share investment in Nasdaq listed Emerald Oil Inc. (NYSE MKT: EOX). Total pre-tax proceeds from the sale were USD \$12,289,085 (AUD equivalent approximately \$13.6m), and were received in full by the Company by 4 March 2014. The Company's tax advisors are presently determining the amount of any tax liability arising from the disposal.

Share Buy-Back

On 23 January 2014 the Company announced its intention to commence an on-market buy-back of up to 94,365,130 of the issued capital of the Company in accordance with the ASX guidelines and Corporations Act. The share buy-back commenced from 7 February 2014 and will continue for an indefinite period. The Company purchases shares, at its discretion, at the market price capped at a 5% premium to the 5-day volume weighted average price for the Company's shares for each day that a purchase is made.

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This independence Declaration is set out on page 5 and forms part of this directors' report for the half year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.

Peter Pynes
Director
Perth
14 March 2014

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Emerald Oil & Gas NL for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
14 March 2014

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

L Di Giallonardo
Partner

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	2013	2012
Note	\$	\$
Continuing operations		
Gas revenues	67,024	64,171
Cost of sales	(82,720)	(69,178)
Gross loss	(15,696)	(5,007)
Corporate, legal and administration expenses	(396,838)	(346,251)
Consulting and contracting expenses	(177,004)	(182,419)
Fair value gains/(losses) on financial assets	1,865,106	(4,217,684)
Results from operating activities	1,275,568	(4,751,361)
Finance income	2,515	37,790
Finance expense	-	(34,458)
Profit/(Loss) before income tax benefit	1,278,083	(4,748,029)
Income tax benefit/(expense)	-	-
Profit/(Loss) from continuing operations for the period	1,278,083	(4,748,029)
Discontinued operations		
Loss from discontinued operations	5 -	(6,671,291)
Profit/(Loss) for the period	1,278,083	(11,419,320)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	33,471	(321,227)
<i>Reclassification adjustments</i>		
Transfer of foreign exchange reserve on disposal of discontinued operations	-	(811,915)
Total other comprehensive income/(loss) for the period	33,471	(1,133,142)
Total comprehensive income/(loss) for the period	1,311,554	(12,552,462)
Profit/(Loss) for the period is attributable to:		
Owners of the company	1,312,871	(11,387,002)
Non-controlling interest	(34,788)	(32,318)
Profit/(Loss) for the period	1,278,083	(11,419,320)
Total comprehensive income/(loss) for the period is attributable to:		
Owners of the company	1,340,346	(12,519,949)
Non-controlling interest	(28,792)	(32,513)
Total comprehensive income/(loss) for the period	1,311,554	(12,552,462)
Earnings per share		
Basic and diluted earnings/(loss) per share – cents per share	0.14	(1.21)
Basic and diluted earnings/(loss) per share from continuing operations – cents per share	0.14	(0.50)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		108,623	403,672
Trade and other receivables		31,565	40,242
Financial assets at fair value through profit or loss	6	14,349,919	12,485,233
Total current assets		14,490,107	12,929,147
Non-current assets			
Property, plant and equipment		124,915	182,037
Exploration and evaluation expenditure	7	315,737	389,068
Oil and gas assets		503,687	530,149
Total non-current assets		944,339	1,101,254
TOTAL ASSETS		15,434,446	14,030,401
LIABILITIES			
Current liabilities			
Trade and other payables		156,515	64,024
Total current liabilities		156,515	64,024
TOTAL LIABILITIES		156,515	64,024
NET ASSETS		15,277,931	13,966,377
EQUITY			
Issued capital	8	46,356,181	46,356,181
Reserves		1,133,871	1,059,713
Accumulated losses		(32,227,119)	(33,539,990)
Total equity attributable to owners of the parent		15,262,933	13,875,904
Non-controlling interest		14,998	90,473
TOTAL EQUITY		15,277,931	13,966,377

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

2013

	Issued Capital \$	Options Reserve \$	Foreign Exchange Translation Reserve \$	Non- controlling Shareholders Premium Reserve \$	Accumulated losses \$	Equity attributable to the owners of the parent \$	Non- controlling interest \$	Total Equity \$
Total equity at 1 July 2013	46,356,181	1,327,132	(586)	(266,833)	(33,539,990)	13,875,904	90,473	13,966,377
Net profit	-	-	-	-	1,312,871	1,312,871	(34,788)	1,278,083
Exchange differences on translation of foreign operations	-	-	27,475	-	-	27,475	5,996	33,471
Total comprehensive income for the period	-	-	27,475	-	1,312,871	1,340,346	(28,792)	1,311,554
Non-controlling interest distributions	-	-	-	13,860	-	13,860	(13,860)	-
Non-controlling shareholders premium reserve	-	-	-	32,823	-	32,823	(32,823)	-
Total equity at 31 December 2013	46,356,181	1,327,132	26,889	(220,150)	(32,227,119)	15,262,933	14,998	15,277,931

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

2012

	Issued Capital \$	Options Reserve \$	Foreign Exchange Translation Reserve \$	Non- controlling Shareholders Premium Reserve \$	Accumulated losses \$	Equity attributable to the owners of the parent \$	Non- controlling interest \$	Total Equity \$
Total equity at 1 July 2012	45,627,768	1,327,132	1,036,896	(293,448)	(25,803,075)	21,895,273	164,364	22,059,637
Net loss	-	-	-	-	(11,387,002)	(11,387,002)	(32,318)	(11,419,320)
Exchange gain recognised on disposal of foreign operations	-	-	(811,915)	-	-	(811,915)	-	(811,915)
Exchange differences on translation of foreign operations	-	-	(321,032)	-	-	(321,032)	(195)	(321,227)
Total comprehensive loss for the period	-	-	(1,132,947)	-	(11,387,002)	(12,519,949)	(32,513)	(12,552,462)
Issue of shares, net of transaction costs	728,413	-	-	-	-	728,413	-	728,413
Non-controlling interest distributions	-	-	-	11,903	-	11,903	(11,903)	-
Total equity at 31 December 2012	46,356,181	1,327,132	(96,051)	(281,545)	(37,190,077)	10,115,640	119,948	10,235,588

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	2013	2012
	\$	\$
<i>Cash flows from operating activities</i>		
Receipts from customers	70,274	57,422
Interest received	2,515	4,799
Interest paid	-	(32,679)
Payments to suppliers and employees	(445,166)	(1,478,644)
Proceeds from sale of financial assets at fair value through profit or loss	39,620	-
Net cash used in operating activities	(332,757)	(1,449,102)
<i>Cash flows from investing activities</i>		
Payments for exploration and evaluation	(19,546)	(1,683,919)
Proceeds from sale of subsidiaries, net of cash disposed	-	2,245,744
Proceeds from sale of oil and gas assets	50,000	-
Net cash provided by investing activities	30,454	561,825
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	-	569
Proceeds from borrowings	-	1,875,354
Repayment of borrowings	-	(363,065)
Payments for capital raising costs	-	(103,017)
Net cash provided by financing activities	-	1,409,841
Net (decrease)/increase in cash and cash equivalents	(302,303)	522,564
Cash and cash equivalents at the beginning of the period	403,672	504,457
Effects of exchange rate changes on cash and cash equivalents	7,254	(282,541)
Cash and cash equivalents at the end of the period	108,623	744,480

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1 – REPORTING ENTITY

Emerald Oil & Gas NL (the “Company”) is a company domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise stated. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the “Group” or the “Consolidated Entity”).

NOTE 2 – BASIS OF PREPARATION

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (‘AASB’). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cashflows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Emerald Oil & Gas NL and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The annual financial report of the Group for the year ended 30 June 2013 is available from www.asx.com.au or from the Company’s registered office at Ground Floor, 20 Kings Park Road, West Perth, WA 6005.

Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

This consolidated half-year financial report was approved by the Board on 14 March 2014.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Company include:

- AASB 10 *Consolidated Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;

Notes to the Condensed Consolidated Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of new and revised Accounting Standards (continued)

- AASB 11 *Joint Arrangements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 127 *Separate Financial Statements (2011)* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 128 *Investments in Associates and Joint Ventures (2011)* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (2011)*;
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*.

The above standards have extensive disclosure requirements however, these do not effect this half-year financial report.

The adoption of the above standards has not had a material impact on this half-year financial report.

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(b) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

(c) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 4 – INCOME TAX

Emerald Oil & Gas NL has tax losses arising in Australia which are available to offset against future profits of the Group providing the tests for deductibility against future profits are met.

These losses have not been recognised in the financial statements, except insofar as they offset deferred tax liabilities of the Consolidated Entity, as there is currently insufficient probability that they will reverse in the foreseeable future.

NOTE 5 – DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

Prior Period

On 9 July 2012, the Group ("Emerald") reached agreement with Voyager Oil and Gas Inc. (NYSE MKT: VOG) ("Voyager"), a publicly listed company in the United States, for Voyager to acquire Emerald Oil Inc. ("Emerald US"), the Group's wholly owned subsidiary, which holds its US shale oil assets. In this transaction, the Group exchanged its 100% interest in Emerald US for 11.6m ordinary shares in Voyager. The transaction was subsequently completed on 26 July 2012, and on 4 September 2012 Voyager began conducting business as Emerald Oil Inc., with the new trading symbol EOX.

EOX assumed the \$17m of debt carried by Emerald prior to the transaction. Emerald received \$2.5m in cash owed to Emerald as part of the transaction under a pre-existing inter-company arrangement between Emerald and its subsidiary company.

The loss from discontinued operations of \$6,671,291 in 2012 is attributable entirely to the owners of the Company.

	2013	2012
	\$	\$
Results of discontinued operations		
Revenue	-	-
Cost of sales	-	(40,455)
Gross loss	-	(40,455)
Corporate, legal and administration expenses	-	(196,858)
Consulting and other contracting expenses	-	-
Gain on settlement of financial liability	-	303,596
Profit (loss) from operating activities	-	66,283
Share of loss of equity accounted investees	-	(475)
Profit (loss) before tax from discontinued operations	-	65,808
Income tax	-	-
Profit (loss) for the period from discontinued operations	-	65,808
Loss on sale of subsidiaries before income tax	-	(6,737,099)
Income tax	-	-
Loss on sale of subsidiaries after income tax	-	(6,737,099)
Loss from discontinued operations	-	(6,671,291)

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 5 – DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS
(continued)

	2013	2012
	\$	\$
Cash flows from (used in) discontinued operations		
Net cash used in operating activities	-	(287,410)
Net cash from investing activities	-	(1,649,904)
Net cash from financing activities	-	1,875,354
Net cash flows for the period	-	(61,960)

Details of the sale of subsidiaries:

	2013	2012
	\$	\$
Consideration received:		
Voyager shares received	-	12,613,922
Repayment of intercompany loan	-	2,500,000
Net cash costs and adjustments at settlement	-	(826,602)
Total disposal consideration	-	14,287,320
Carrying amount of net assets sold	-	(21,836,334)
Recognition of foreign exchange reserve on sale	-	811,915
Loss on sale of subsidiaries before income tax	-	(6,737,099)
Income tax	-	-
Loss on sale of subsidiaries after income tax	-	(6,737,099)

As at the date of sale the carrying amount of assets and liabilities were:

	Date of Sale
	\$
Assets	
Cash and cash equivalents	254,256
Trade and other receivables	1,109,466
Investments accounted for using the equity method	772,638
Plant and equipment	34,577
Exploration and evaluation expenditures	37,670,656
Oil and gas assets	1,073,894
Assets sold/classified as held for sale	40,915,487
Liabilities	
Trade and other payables	1,482,857
Short term loan payable	17,099,099
Provisions	497,197
Liabilities directly associated with assets sold/classified as held for sale	19,079,153
Net assets sold/attributable to disposal groups classified as held for sale	21,836,334

EMERALD OIL & GAS NL
ABN: 72 009 795 046

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 6 – FINANCIAL INSTRUMENTS

	31 December 2013	30 June 2013
	\$	\$
Financial assets at fair value through profit or loss:		
US listed equity securities	14,349,919	12,485,233

The equity investments, being shares in Emerald Oil Inc., are all classified as held for trading. The market value of all equity investments represent the fair value based on quoted prices on active markets (NYSE) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

Subsequent to balance date, the above shareholding in Emerald Oil Inc. was sold, realising proceeds of USD \$12,289,085 (AUD equivalent approximately \$13.6m).

NOTE 7 – EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2013	30 June 2013
	\$	\$
Exploration and evaluation costs carried forward in respect of exploration areas of interest in the US and Australia	315,737	389,068

Reconciliation:

A reconciliation of the carrying amounts of costs carried forward in respect of areas of interest in the exploration and evaluation phases is set out below:

	6 months to 31 December 2013	Year to 30 June 2013
	\$	\$
Carrying amount at beginning of period	389,068	339,902
Capitalised during the year	19,546	20,312
Disposal of area of interest in Australia	(102,034)	-
Effect of foreign exchange	9,157	28,854
Carrying amount at end of period	315,737	389,068

The recoverability of the carrying amount of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

NOTE 8 – ISSUED CAPITAL

	Number of Shares	\$
2013		
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	943,651,304	46,356,181
(b) Movements in fully paid shares on issue		
Opening balance as at 1 July 2013	943,651,304	46,356,181
Total fully paid shares on issue at 31 Dec 2013	943,651,304	46,356,181

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 9 – RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

The Parent Entity and ultimate controlling party is Emerald Oil & Gas NL.

(b) Other related party transactions

The directors received compensation during the period pursuant to arrangements detailed in the 2013 Annual Report, inclusive of annual adjustments where relevant.

The total amount of fees and compensation referable to the directors during the half year ended 31 December 2013 was \$121,841 (half year ended 31 December 2012 \$133,446).

Drumgaghan Pty Ltd, a company of which Mr Jeremy Shervington is a director, charged advisory fees on commercial terms for the half year ended 31 December 2013 totalling \$104,606 (2012: \$38,156). The total amount of fees due to Drumgaghan Pty Ltd as at 31 December 2013 was \$30,558 (2012: nil).

Pelagic Capital Investments Ltd, a company of which Mr McAndrew Rudisill is a director, charged advisory fees on commercial terms for the half year ended 31 December 2013 totalling nil (2012: \$47,294).

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford (a director up to 16 July 2012) is a director, charged rent and company secretarial fees in relation to the administration of the Group. A summary of the total fees charged by Ventnor Capital Pty Ltd during the period is as follows:

	2013	2012
	\$	\$
Rent and office administration	-	9,000
Company secretarial fees	-	10,000
Financial administration	-	2,440
Total	<u>-</u>	<u>21,440</u>

(c) Terms and Conditions

Loans between entities in the wholly owned Group are interest bearing, are unsecured and are payable at call.

Transactions with related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Notes to the Condensed Consolidated Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 10 – SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the location of activity. Discrete financial information about each of these locations is reported to the Board of Directors on at least a monthly basis.

Reportable segments requiring disclosure are operating segments that meet any of the following thresholds:

- Segment loss greater than 10% of combined loss of loss making operating segments; and
- Segment assets greater than 10% of combined assets of all operating segments.

In accordance with AASB 8 *Segment Reporting*, the reportable segments are based on aggregated operating segments determined by the similarity of the locations, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an 'all other segments' reporting segment. In accordance with AASB 8 *Segment Reporting*, corporate and administrative activities are included in the 'all other segments' reporting segment.

The Group operates in one business segment, being the exploration of oil and gas, and two geographical segments, being Australia and USA.

Description of operating segments

Appalachian (USA) continuing operation

Emerald's subsidiaries Emerald Gas USA Holdings Inc, Emerald Gas Developments USA LLC, Emerald Gas Kentucky Ventures LLC and Kentucky Energy Partners LLC undertake onshore oil and gas exploration activities in the USA. The combined operations of these entities represent a single reportable segment.

Texas (USA) continuing operation

Emerald's subsidiary Emerald Gas USA LLC undertakes onshore oil and gas exploration activities in the USA. This entity's activities form both an operating and reportable segment.

Shale (USA) discontinued operations

The disposal group of Emerald Oil Inc., Emerald GRB LLC and Emerald WB LLC undertook onshore oil and gas exploration activities in the Green River Basin and Williston Basin areas of USA prior to disposal. The combined operations of these entities represent a single reportable segment. Refer to note 5 for details of the sale of the disposal group during the prior period.

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 10 – SEGMENT REPORTING (continued)

All other segments (Australia)

Emerald Gas Pty Ltd, a wholly owned subsidiary of the Company, held onshore and offshore leases in the north west of Western Australia which are prospective for hydrocarbons. These leases were sold during the half year period ended 31 December 2013. The Australian oil and gas exploration operating segment does not meet the thresholds for reportable segments and have been included in all other segments for reporting purposes, which includes the administrative costs of the Company.

Segment information

The following tables present information on the revenue and results regarding each reportable operating segment provided to the Board of Directors for the half year periods ended 31 December 2013 and 31 December 2012.

2013

Geographical segment	USA		Australia All other segments \$	Consolidated \$
	Appalachian \$	Texas \$		
Operating Segment				
Segment Revenues	67,024	-	2,515	69,539
Segment result	(138,153)	-	1,416,236	1,278,083
Segment assets	960,954	-	14,473,492	15,434,446
Segment liabilities	(5,924)	-	(150,591)	(156,515)
Included in segment result:				
Interest revenue	-	-	2,515	2,515
Depreciation and depletion	(100,644)	-	-	(100,644)
Acquisition of non-current assets	19,546	-	-	19,546

2012

Geographical segment	USA			Australia All other segments \$	Consolidated \$
	Appalachian \$	Texas \$	Green River Basin \$		
Operating Segment					
Segment Revenues	64,171	-	-	37,790	101,961
Segment result	(121,386)	-	(6,671,291)	(4,626,643)	(11,419,320)
Segment assets	1,208,444	-	-	9,102,508	10,310,952
Segment liabilities	(17,880)	-	-	(57,484)	(75,364)
Included in segment result:					
Interest revenue	-	-	-	37,790	37,790
Interest expense	-	-	-	(34,458)	(34,458)
Depreciation and depletion	(98,453)	-	(1,005)	(515)	(99,973)
Acquisition of non-current assets	29,593	-	674,114	11,050	714,757

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 11 – POST BALANCE DATE EVENTS

As at the date of this report, there have been no events occurring subsequent to the reporting date which would have a material impact on the Group or require disclosure in this Interim Financial Report, other than the following:

Sale of Listed Investment in Emerald Oil Inc.

During February 2014 the Group sold its entire share investment in Nasdaq listed Emerald Oil Inc. (NYSE MKT: EOX). Total pre-tax proceeds from the sale were USD \$12,289,085 (AUD equivalent approximately \$13.6m), and were received in full by the Company by 4 March 2014. The Company's tax advisors are presently determining the amount of any tax liability arising from the disposal.

Share Buy-Back

On 23 January 2014 the Company announced its intention to commence an on-market buy-back of up to 94,365,130 of the issued capital of the Company in accordance with the ASX guidelines and Corporations Act. The share buy-back commenced from 7 February 2014 and will continue for an indefinite period. The Company purchases shares, at its discretion, at the market price capped at a 5% premium to the 5-day volume weighted average price for the Company's shares for each day that a purchase is made.

NOTE 12 – CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 6 to 19 comply with the Corporations Act 2001; and
 - i. comply with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the Group's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half year then ended; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the board,

Peter Pynes
Director
Perth
14 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Emerald Oil & Gas NL

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emerald Oil & Gas NL ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Emerald Oil & Gas NL is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo

L Di Giallonardo
Partner

Perth, Western Australia
14 March 2014